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# The Program of German Socialized Industrial Managements

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**A**FTER the war, German industries<sup>1</sup> entered upon an exceedingly difficult and responsible period of operation. Until the beginning of the war their activity had extended primarily to equal coöperation in regulating wages and labor conditions by drawing up labor agreements and by establishing the legislative foundations of labor. This activity expressed itself in a series of wage and labor agreements as well as in the general social policy. Employment wage schedules were established jointly by employers and employees. They formally regulated the hours and wages of labor, questions of overtime and pay for overtime, time off, employment credentials, apprenticeships, and settlement of labor disputes, embracing not only individual occupations, but also whole branches of industries extending over large areas and at times over the entire Empire. Before the war, these regulations, consisting of 12,500 schedules, affected about 2,000,000 workmen in more than 200,000 different occupations and mitigated against free choice of employment.

From the standpoint of social policy before the war the industrial managements influenced the enactment of workmen's protective and insurance laws, as well as other legislation affecting labor conditions, primarily by

utilizing their influence with the social democratic party in the Reichstag, disposed in a friendly way toward industry, and by soliciting the support of their representatives on the workmen's insurance commissions, as well as that of their labor bureaus and arbitration boards. They have repeatedly prevented debasement of the coalition and union legislation with success, and incessantly endeavored to guard the interests of the laboring classes against all such hostile attacks. Their decidedly combative attitude toward new enterprises brought them into continuous conflicts with the government, municipal authorities and courts, who considered it their duty to exercise paternalistic jurisdiction over such enterprises, assuming that the interests of employer and of national economy coincide.

The war compelled the various governments and the entrepreneur class to lay aside all internal differences and disputes in order to take up jointly the national defense, and the managers of industry did not refrain from assuming their share of this responsibility. During the war they devoted themselves primarily to caring for the unemployed and for those who had suffered particularly in the areas affected by the hostilities, but at the same time they assured themselves of the necessary influence over wartime industry, particularly with reference to formulating labor agreements. When the war mobilized the last

<sup>1</sup>Translator's Note: The original *Gewerkschaften*, translated either *industries* or *industrial managements* as at present organized in Germany, must not be confused with our American concept of industrial management.

reserves of men, materials and industries, these managers of industry were instrumental in placing a large number of their workmen and employes in various branches of relief service, thereby decreasing the compulsory military service for their workmen.

The collapse of the German battle front released a revolutionary storm-flood in Germany, which swept away all governments, monarchs and military authorities within a few days, and established popular governments in their stead. But the people required orderly organizations with extensive authority and far-reaching influence for their self-government. It was necessary to bring the millions of soldiers back home again, to disarm and to disband them and to reinstate them in civilian life, to reorganize war-time industry upon a peace basis, to create work and to obtain suitable employment for the unemployed. It was further necessary to repeal wartime legislation and the most oppressive measures of the old régime without disrupting the economic life of the nation, to adapt labor regulations to the altered conditions, and to restore order in the chaos left by the war. It was finally necessary to establish the political condition of the nation upon a sound basis in order to undermine civil war, a struggle of all against all.

The old state had relied upon its army and its officialdom, and had done little to encourage popular government. It had taken a particularly hostile and distrustful attitude toward labor organizations and had continually opposed their growth. The war had had a no less disintegrating influence upon these organizations.

The political organizations of the working classes had embraced about 1,000,000 members before the war, of which number more than two-thirds were called to the colors, while among

those who stayed at home decided differences of opinion concerning the policy of national defense were being voiced, which lead to a split in the social democratic party. The managers of industry had likewise suffered by the war. The membership of 2,500,000 in 1913 had been reduced to 950,000 by 1916 as a result of the call to arms, but increased again by the end of the war to 1,500,000. To be sure they had been spared dissensions, but political controversy raged none the less in their ranks and impaired their productive efficiency.

Thus it came about that the revolution first created its own new organizations, primitive representation of the industrial workers and the returning army masses, who, following Russian precedent, called themselves workmen's and soldiers' councils. They were in reality political organizations and did not want to be anything else but dictatorial bodies of the revolutionary proletariat, who obtained control in city and country and sought so far as possible to restore order in state and community life. Economic problems were foreign to them, except in such instances in which organized labor obtained control of industrial representation and made industries serve the most necessary productive purposes.

The managers of industry or industrial managements realized at this critical time that a revival of German industry would be impossible in struggles which were gradually destroying the remaining economic goods, materials of production and productive energies, but could be brought about only by an orderly coöperation of all national economic factors, entrepreneurs, as well as laborers and employers. Consequently they united with the most influential organizations of employers to form a workmen's

union, which was to settle equitably all questions pertaining to the reconstruction of economic life, the supplying of raw materials, importation and exportation, transportation routes, and suspension and discharging of labor.

In the first place, all branches of industry were to obtain recognition, wage and labor conditions were to be definitely regulated, the eight-hour day was to be universally established, employment was to be regulated on a footing of equality, wartime service was to be abolished and equitable compensation laws were to be enacted. Furthermore, national workmen's unions with district and local boards were to be set up in every branch of industry in which employers and employes, with equal representation, were to coöperate. A central labor union was to embrace all national groups in order to solve all economic questions concerning the general economic life of the nation.

Strict execution of equality in these organizations excluded all possibility of majority control and established them from the very beginning upon a basis requiring mutual understanding. The thought of communal workmanship was the victory of the principle of organization over the principle of totally irresponsible class struggle. We can readily understand that this idea encountered violent opposition among both classes, employers as well as employes, which prevented its being carried out for a considerable period of time. But the sound economic sense of the German people again prevailed, and the managers of industry declared themselves in favor of joint control (*Arbeitsgemeinschaft*), by a two-thirds majority vote at the Congress of Nürnberg in 1919.

The most pronounced opposition to this idea of joint management of

industry was encountered in the circles of the followers of the council system (*Rätesystem*), consisting of certain classes of workmen, the distinct product of the war and the revolution, and in the rank and file of the radical elements in industries. Their doctrine was still rooted in opposition to the old capitalistic concept of control, which they wanted to overthrow with their concept of the control of the proletariat. For these classes as yet poorly educated, no agreement between capital and labor was possible, no suspension of the class struggle, however temporary, no synthesis, but only a fight to the finish, even at the expense of economic existences. They were blinded by the apparent success of the Russian soviet, without recognizing the imperfections and appalling shortcomings of their prototype.

The political effectiveness of the workmen's and soldiers' councils was of short duration; they collapsed in the street fighting between December, 1918, and March, 1919. But they were particularly overthrown by the elections to the national constitutional assembly throughout the country, which resulted in the establishment of orderly popular government in state, district and municipality, expressing the will of the majority and crushing all dictatorial aspirations. Thus the field of activity of the political workmen's councils was transferred by legal political powers to a consideration of industrial problems, in which field, however, industrial managements had priority. It was inconceivable that the various managements would withdraw in favor of the workmen's councils or be satisfied with bending their support. Thus no other solution to the problem remained except to combine the council system with the industrial organization so that the workmen in the various industries

would have a regular voice in the management as well as a definite range of duties to perform jointly with the industrial managements.

These managers of industry have facilitated the solution of the problem as much as possible by making use of their organization to elect, educate, and organize the industrial councils of workmen and employes, and to create for them a comprehensive sphere of activity by drawing up a series of guide regulations. In 1919 the industrial Congress of Nürnberg gave its assent to this organization of the industrial council system (*Betriebsrätesystem*) with its various rules and regulations.

The industrial council statutes (*Betriebsrätegesetz*) set the legal limitations for this workmen's representation, and in addition assured the latter of an extensive sphere of duties, the necessary legal authority, as well as the irrevocable protection against the caprices of entrepreneurs. Since May of this year (1920) the industrial managements have taken in all industrial councils throughout the nation. Local centrals, as well as a joint national central (*gemeinsame Reichszentrale*), have been established in order to give the necessary support to the movement, and a convention, called for October of this year (1920) is to give expression to the union existing between all organizations of workmen's councils and the various industrial managements. To date, this unity has not yet been fully attained. There are still groups who incline more toward political dictatorship and who do not want to join the ranks of the new industrial organization. They must first experience all the inconveniences resulting from exclusion before they will join the common system.

With the creation of industrial

tribunals only one part of the labor program has been established. The labor class also requires universal public representation in the affairs of state throughout the nation and in various industrial areas, in order to emphasize its interests.

For this purpose, workmen tribunals had been demanded before the war, unfortunately in vain, because the old régime cherished an insuperable mistrust for all labor representation. Now this idea is to be realized under the name of district workmen's councils (*Bezirksarbeiterräte*). These workmen's councils are to be given power to initiate and to approve legislation as well as to coöperate in carrying out social and communal policies. They are to coöperate with similar employers' organizations on joint economic councils (*gemeinsame Wirtschaftsräte*), in order to solve all economic problems as a self-governing corporation. A national workmen's council and national economic council is to be evolved from the selected district workmen's councils and the district economic councils.

In addition to the Reichstag this body, as an economic Parliament, is also to hold sessions, pass on all questions of either an economic or a social political nature, approve all bills before their introduction in the Reichstag, and propose and defend original bills. Moreover, it is to be instrumental in preparing the transition of the national economic system to the communal economic system. A provisional national economic council has already been inaugurated and has begun its activity. One of its most important problems will be to establish the legal foundation upon which to erect the district workmen's and economic councils and the national economic council. Until the latter is established the provisional council

will temporarily exercise its general economic and social political functions.

Thus the active management of German industries in the immediate future has been established on the basis of communal workmanship (*Gemeinschaftsarbeit*). This communal workmanship is not the product of theoretical principles of harmony, but the result of economic necessity. A nation in Germany's condition of constraint cannot carry on destructive economic struggles at present, and a people, who want to live, must restore their industrial life uniformly. It is self-evident that this does not mean a simple restoration of the industrial system of 1914. It will be the result of coöperating forces, of organizations of employers and employes working in conjunction with the state, to be sure still private industry, but in process of organized regulation, under strict state supervision. We may designate this system as organized or systematized industry or as a transitional economic system; at all events it signifies conscious, uniform regulation of production and distribution by social organizations, and thus constitutes a transition to a socialized, economic system in which society itself regulates production and distribution.

In the Congress of Nürnberg in 1919 the industries have publicly professed socialism. They see in socialism the higher form of economic organization, and are endeavoring with all appropriate means to make it a reality. They are meanwhile conscious of the fact that the condition of German industry imposes a great responsibility upon them, and that a series of mighty prerequisites must be fulfilled before socialization is possible, if irretrievable mistakes are not to be made. Not only must the various industries attain a certain degree of industrial concentration and technical perfection, but there must also be common industrial aspirations among laborers and employes, which will assure the success of socialized industry. The managers of industry have taken upon themselves the great task of fostering this joint industrial spirit and of educating their employes for their duties in this era of socialism, in order that a new generation may mature, which in knowledge, ability, ambition and execution will be able to cope with the far-reaching and responsible duties devolving upon them.

Socialism will not be attained by street fighting, it must be realized by hard work, and (German) industries will be its pioneer.